REVISED JANUARY 3, 2003

period. The SENDOUT® model generates variable, fixed, total and average costs for each component of the portfolio under review. The SENDOUT® Model calculates, among other things, annual system costs and average costs for serving the system demand.

Q. What are the results of the SENDOUT® analysis?

A. Starting in 2003, the model reduces the amount of storage gas the Company uses to meet its demand, which results in a slight increase in system costs of approximately $60,000 for the first year. Then in 2004 when the contracts are fully restructured, the SENDOUT® Model supports the initial analysis discussed above. By shifting a small portion of long-haul capacity to short-haul capacity, transportation costs and the overall system cost of gas is reduced. As shown in the system cost section for each year in Exhibit FGE-DBD-7, SENDOUT® indicates that, by restructuring the portfolio as FG&E proposes (as compared to renewing the current portfolio), system costs would decrease by $266,000 in 2004, $141,000 in 2005, $138,000 in 2006 and $149,000 in 2007. These savings more than offset the increased costs of the first year, which increased costs resulted from small timing differences between the two models in the use of storage gas during the 2003 – 2004 winter.

Q. Did you evaluate the availability of gas supply at Dracut?